

Today, Rep. Pete Stark (D-CA) testified before the Labor, HHS Appropriations Subcommittee and urged the Subcommittee to increase funding for the Health Care Financing Administration (HCFA). Excerpts from his testimony are as follows:

“The greatest problem facing HCFA today is inadequate funding for its discretionary budget. Each day, Medicare beneficiaries make almost one million physician visits, and Medicare processes more than three million claims that result in almost \$1 billion in payments. HCFA is overwhelmed by a workload greater than the resources it is provided, and by criticism for not accomplishing all that is demanded of it in a timely way.

In recent years, Congress has added major new responsibilities to HCFA without adding new resources to accomplish the work. Despite the enactment of HIPAA, BBA, BBRA, and BIPA, which resulted in over 700 new provisions for HCFA to implement, Congress increased HCFA’s discretionary budget on average by only 5.9 percent annually between 1996 and 2001. The increase is just 5.3 percent if research is excluded. Controlling for inflation, HCFA’s budget in 2000 was below that of 1993. The discretionary budget includes more than staff and infrastructure, it includes research and development, beneficiary and provider education, and survey and certification efforts. Yet, the average annual growth in real dollars in HCFA’s budget from 1993 to 2001 was a mere 0.7 percent.

Despite the massive growth in the scope and complexity of HCFA’s responsibilities, only in 1999 did HCFA reach the same FTE ceiling as in 1982. Even a ten percent increase in the current staffing level of 4,500 would remain below the 1980 staffing level of 5,300. Moreover, HCFA needs the authority and flexibility to hire employees who possess the type and level of expertise needed to manage these new responsibilities. HCFA has a particular need for clinicians and information technology (IT) specialists, each of which are difficult to lure into public service from the private sector.

In addition, HCFA’s information infrastructure desperately needs to be modernized. HCFA’s antiquated computer systems and lack of personnel leave Medicare vulnerable to fraud, waste, and abuse that could cost taxpayers billions of dollars. Development of new IT systems needs to become a high priority for Congress and the Administration.

The new CBO baseline includes 10-year projections of the growth of Medicare and its administrative budget. If these numbers are reasonably accurate, they spell an administrative disaster for Medicare. According to CBO, in the current fiscal year, Medicare’s administrative budget is expected to be 1.95 percent of benefit outlays; however, by 2011, the administrative budget is expected to be just 1.35 percent. To effectively fight fraud and abuse, to increase

beneficiary and provider services and to improve quality of care, we should devote more money to HCFA's management resources. We need to put HCFA's funding on an upward track to meet its responsibilities effectively and efficiently both now and in the future.